

CHAPTER 3: AUTOMATED SYSTEMS

3.1 INTRODUCTION

Many of the Agency's account servicing activities are dependent on data submitted to the Agency by tenants and borrowers. These data are tracked by Loan Servicers using the Agency's automated systems. This section describes the Agency's four primary automated information management systems – Industry Interface, the Automated Multi-Family Housing Accounting System (AMAS), and the Multi-Family Integrated System (MFIS), and the Prepayment Tracking and Concurrence (Pre-Trac) – including their purpose and capabilities, staff responsibilities, and training and certification requirements. Pre-Trac and the Preservation Information Exchange (PIX) to support prepayment requests are discussed in more detail in Chapter 15.

It is important to understand that while this section identifies the specific activities that may be accomplished using the various automated systems, many of the activities listed for a particular system cannot be accomplished without inputs from one or more of the others. For instance, monthly loan payment amounts are tracked using AMAS, but those amounts cannot be determined without inputs from MFIS. Similarly, while MFIS is used to identify and track the status of borrower noncompliance, the standards by which compliance is measured come from AMAS.

Every RHS employee is required to be familiar with each of the Agency's automated systems. This includes gaining familiarity with not only the basic information in this chapter, but the more detailed user manuals for each system and periodic training offered to staff.

3.2 INDUSTRY INTERFACE

Industry Interface is an automation initiative being pursued by the Agency to reduce the cost of compliance and increase the effectiveness of supervisory actions in the multi-family housing program.

A. Background

Before a borrower can submit a payment to the Agency for review and processing, the Agency needs to determine and inform the borrower of the correct payment amount. Before the payment amount can be determined, the borrower needs to collect and submit to the Agency the tenant data which is used in the calculation of rental assistance, interest credit, and ultimately, the “net” payment amount that must be submitted by the borrower. In order to make the required calculations, tenant data are entered into MFIS, and the outputs from MFIS are ultimately entered into AMAS for tracking. It is crucial that tenant data be correct, because about \$1 billion in tenant subsidy is awarded annually based on each tenant's status.

Traditionally, borrowers have submitted tenant data to the Agency by mailing paper copies to the servicing office each month to reflect current occupancy status. In recent

years, the Agency has been moving away from paper submissions toward electronic submissions through an automated interface with borrowers—the Industry Interface.

B. Purpose and Capabilities

Industry Interface enables borrowers to transmit tenant data electronically, via the Internet, to a server at the National Office, which checks the transmission for viruses. In addition to tenant data, borrowers can transmit *RD Form 1930-7, Multi-Family Housing Project Budget*, and *RD Form 1930-8, Multi Family Housing Borrower Balance Sheet*. Data is stored by the server according to borrower ID, Servicing Office number, and State Office number. An automatic electronic interface, located in the Servicing Office, then electronically retrieves the data, reviews it for acceptability, and loads it into MFIS. Rejected tenants are flagged and returned to a borrower-accessible electronic bulletin board with comments for borrower review. The borrower reviews the bulletin board and reprocesses rejected tenant information. Then, the Servicing Office sends out the MFIS project worksheet to the borrower, who reviews it and sends in the appropriate payment.

C. Staff Responsibilities

In order to bring a borrower up to speed for using Industry Interface, Servicing Office staff need to process Trading Partner Agreements (TPAs). The steps involved in this process include:

- Provide TPA form to borrower;
- Receive TPA back from borrower;
- Review TPA for accuracy and completeness;
- Complete Servicing Office data; and
- Fax the TPA to the National Office (through the State Office if requested by particular states).

National Office staff then assigns an ID number to the borrower and fax the form back to the Servicing Office, which sends it back to the borrower with a Quick Check report. At this point, the borrower may begin to transmit data via the Interface.

The bottom-line Servicing Office goals are to maintain project information on MFIS, process tenant changes in a timely manner, and complete primary processing of submissions between the 1st and 10th of each month. Other ongoing responsibilities of servicing staff related to Industry Interface include:

- Provide project worksheets when complete;
- Provide Quick Check reports when needed;
- Confirm receipt of data transmission when asked;

- Refer borrowers to vendors to troubleshoot software as needed; and
- Inform State Office of problems (automation or program-related issues).

D. Benefits of Industry Interface

Industry Interface benefits all parties involved. Electronic submission of data saves borrowers the burden and cost of generating and mailing paper documentation to the Agency. The Agency saves the burden and cost of handling mail, sorting and copying paper documentation, and re-entering tenant data by hand. Freeing staff from clerical tasks allows them to focus on analytical responsibilities, such as reviewing occupancy patterns to uncover civil rights violations, tenant fraud, unacceptable management practices, and warning signs of occupancy problems.

In addition, Industry Interface allows borrowers more time to meet deadlines. Changes submitted through Industry Interface are required to be filed by the 10th of the month, an extension of ten days. For borrowers, this provides more time to ensure that their information is assembled properly, and is complete and accurate. More accurate information results in fewer mistakes to correct with the borrower. Even if there are mistakes, Industry Interface allows for next day response by the Agency. As a result, corrections can be made while the borrower's memory is still fresh.

Industry Interface also reduces the chance that borrowers will be charged overage for late certifications, which can result in a substantial penalty for borrowers, management agents, and site managers. Extended submission deadlines and faster turnaround on submission reviews reduce the possibility of overage being charged for late data.

E. Staff Training and Certification Requirements

Beyond gaining familiarity with the functions of the system, there are few formal training or certification requirements for Loan Servicers using Industry Interface.

3.3 AUTOMATED MULTI-FAMILY HOUSING ACCOUNTING SYSTEM (AMAS)

A. Purpose and Capabilities

AMAS maintains loan account information, tracks loan status and disburses project subsidy. AMAS has been operational since 1985 and is located on the USDA Kansas City mainframe. The Systems Development Division in St. Louis administers AMAS.

AMAS is the Agency's primary financial accounting system. Any data relating to a borrower's account (e.g., payment amount, payment due date, account status) are tracked using AMAS. In addition, payment entry, verification, and reconciliation are accomplished using AMAS.

In 1993, AMAS was expanded to include preapplication and application data for tracking and reporting purposes. Several aspects of this enhancement are still under development or testing. When fully operational, the Agency will have the ability to

compare and analyze line item construction costs, track multi-state applicants and borrowers, and produce meaningful reports on applications, projects, and borrowers to satisfy FOIA and Congressional requests.

B. Staff Responsibilities

Loan Servicers using AMAS are responsible for the following activities:

- Closing loans, including reamortized loans;
- Disbursing loan funds;
- Determining note, rental assistance, and interest credit payment amounts;
- Determining payment due dates;
- Processing loan payments, including final loan payments;
- Converting accounts from DIAS to PASS;
- Determining current loan balances for transfer;
- Processing payments made at transfer closing;
- Obligating the transfer and subsequent loan;
- Adjusting accounts in response to unauthorized assistance;
- Processing recaptured unauthorized assistance;
- Adjusting accounts for interest rate changes;
- Tracking rental assistance;
- Tracking inventory property status and acquisitions;
- Tracking Servicing Office and overall Agency loan and subsidy totals;
- Tracking and correcting account discrepancies; and
- Tracking account payment history.

On the AMAS main menu, Screens #1-7 are transactional fields where processing related to appropriations, obligations, disbursements, loan servicing, inventory property, tenant file processing, and ledger balancing are accomplished. Screen #8 is a “view-only” field which can be accessed to ensure that previous transactions entered into the system were processed correctly and in a timely manner. Screens #9 and 10 are also view-only screens where account discrepancies can be flagged and reviewed. Screens

#11-12 show the payment history for a project, including the distribution of principal, interest, and subsidy. Screen #13 shows all miscellaneous information not related to principal and interest payments. Screen #14 is where payments are processed.

Some of the screens within AMAS can only be accessed by particular State Office or Finance Office staff, depending on the nature of the transaction. For instance, transfers can only be processed by certified staff in the Finance Office. In general, new staff and staff without proper certifications have system access which is limited to view-only screens. All screens are accessed by entering the project case number.

C. Staff Training and Certification Requirements

Loan Servicers must be certified by the State Director to process payments in AMAS. The AMAS Coordinator in each State is responsible for the payment processing certification process and will make recommendations to the State Director, based on certification examination. Each Field Office should have at least two certified staff who can process payments. Uncertified staff may access the “view-only” screens within the system, but cannot alter any of the data.

1. Basic Skills Required

The basic areas a Loan Servicer must master to receive certification include the following:

- The employee must successfully review and process payments for three call dates.
- The employee must successfully correct any blocks that are out of balance.
- For offices on the Wholesale Lockbox System, the employee must properly prepare the Field Office Remittance Reconciliation Report and all related forms for submission to the wholesale lockbox.

2. Procedures for Certification Training

The procedures for certification training are as follows:

- The employee will be trained by the AMAS Coordinator, or a qualified State Office or Field Office employee. The training must cover the following areas:
 - ◇ Reviewing and processing the borrower’s payment transmittal;
 - ◇ Understanding the payment logic;
 - ◇ Signing onto the AMAS Cash System (AMAS-CSH);
 - ◇ Inputting regular payments;
 - ◇ Correcting out-of-balance blocks;

- ◇ Processing miscellaneous collections; and
- ◇ Submitting checks, cash, and accounting data to the Finance Office.
- The employee will sign onto the AMAS test data base (TS2) and make entries into the AMAS-CSH system. The Information Resources Manager (IRM) is responsible for obtaining a TS2 identification number for the trainee.
- The trainee will make copies of all the records related to preparing the test collections and will include them in an envelope as if they were being mailed to the Finance Office. The envelope will be marked “Payment Certification for (trainee name)” and submitted to the AMAS Coordinator.

3. Recommendation of Certification

The AMAS Coordinator will review the balanced blocks and the accounting data envelope prepared for the examination. When the employee has demonstrated an understanding of the payment process and proficiency in all steps listed above, the AMAS Coordinator will recommend certification to the State Director. The State Director will:

- Instruct the IRM to notify the Security Officer in the Finance Office to add AMAS Payment Process to the employee’s User Identification Number.
- Notify the Loan Servicer and employee, by letter, of the employee’s certification to process payments on-line in AMAS. The letter must list the possible reasons for withdrawal of certification.

4. Monitoring Payment Processing

After certification, the AMAS Coordinator will periodically monitor Field Office use of the on-line payment process to ensure that payments are being input properly and blocks are balancing. For newly certified employees, monitoring should be daily for a 30-day period. For experienced employees, monitoring should be no less than monthly, provided monitoring reports do not indicate any of the problems which could lead to withdrawal of certification.

A log of each monitoring activity should be kept by the AMAS Coordinator for documentation using *Form RD 1951-64, On-Line Payment Certification Monitoring Log*.

5. Withdrawal of Certification and Recertification

Certification may be withdrawn from an employee for any of the following reasons until corrective action training has been given:

- Block(s) has remained out-of-balance for five working days and the condition is due to employee error.

- The effective date of the payment and the call date differ by more than three days and there is not sufficient justification (e.g., office was closed on the regularly scheduled work day that the payment was received; weekend and holidays caused a three-day delay before the payment could be processed).

After the third occurrence of any of the above errors in a 12-month period, the State Director will notify the Loan Servicer and employee in writing that certification may be withdrawn. The notice will include plans and requirements for remedial training.

The State Director will withdraw certification after the fourth occurrence in a 12-month period of any of any of the above errors. The State Director will notify the Loan Servicer and employee in writing, with a copy to the IRM for the State. The IRM will notify the Security Office in the Finance Office to remove On-Line Payment authority from the employee's identification number.

6. Retraining

An employee should be retrained immediately when a payment processing problem occurs as a result of an employee error. This training should cover the areas causing problems and should prevent recurrence of the error. After certification has been withdrawn, the State Director must determine whether it is desirable for the employee to process payments. If so, the retraining should be performed immediately. The employee may be recertified if retraining has been completed, the employee demonstrates the necessary skills to process payments, the AMAS Coordinator recommends recertification, and the State Director concurs.

3.4 MULTI-FAMILY INTEGRATED SYSTEM (MFIS)

A. Purpose and Capabilities

MFIS assists Servicing Offices in monitoring the multiple-family housing program, maintain data on clients, and provides comprehensive and flexible reporting. MFIS began as an automated version of the Management Card System and has evolved into an integrated, relational database which is accessible via the Internet.

MFIS was designed to improve management and supervision routines in Servicing Offices. It automates most of the monitoring and scheduling systems being used by the Servicing Offices and provides the analytical tools to review budgets and financial information. Part of MFIS is a classification system that uses information entered during normal supervisory activities to identify projects needing additional servicing attention. When MFIS is fully implemented, manual tracking and analysis systems will be discarded at all administrative levels of the Agency, and this will greatly improve the Agency's ability to track program status.

MFIS incorporates the functions previously provided under the old Multi-Family Housing Tenant Filing System. MFIS is used by the Agency to track tenant data, and it is employed mainly to ensure that each tenant receives the correct amount of subsidy. MFIS uses the tenant data to calculate tenant rents and rental assistance, which drive

many subsequent account servicing activities. MFIS is also the source for occupancy statistics used to describe multi-family housing program beneficiaries.

MFIS is a management tool that the Agency uses to:

- Manage programs and staff;
- Measure the accomplishments of servicing goals;
- Meet program responsibilities with submission of reports as part of routine activities;
- Achieve a better understanding of portfolio needs; and
- Identify strengths, weaknesses, and trends in the Multi-Family Housing portfolio.

MFIS is made up of six components:

1. Management Information

This component allows users to view, add, modify, and delete basic, nonfinancial information about a project, its partners, the borrower entity, the loan, management fees, and insurance.

2. Scheduling and Tracking

This component allows the user to schedule visits or inspections; track tax receipts, reports, and other required documents; and record servicing actions such as reamortizations or work-out plans.

3. Monthly/Quarterly Analysis

This component allows the user to view monthly vacancies or monthly/quarterly budget information. It also allows for reserve account tracking by monitoring deposits to and withdrawals from the reserve account and providing a running balance.

A classification system also contained in this component indicates the project's compliance status based on Agency standards and improves monitoring by both the Servicing Office and the State Office. The classification system allows each project to be evaluated against 21 distinct criteria.

4. Year End Analysis

This component allows the user to perform budget approval analysis, maintain the status of accounts, collect actual fiscal year figures, and perform rent change analyses.

5. *Administrative Tasks*

This component allows the user to set up budgets, create or enter the table to review operating and maintenance expenses, add user-defined activities, and monitor tracking and servicing items.

6. *Reports*

This component allows the user to design reports on borrowers and management agents, project budgets and other financial reports, findings, forms, projects, project summaries, tenants, and tracking reports. These reports maybe sorted by district, borrower, management agent, or by portfolio. It also provides the ability to merge database fields, names, and addresses with both standardized and tailored forms and letters. Users are able to customize reports and flexible report formats are available.

B. Staff Responsibilities

Loan Servicers are responsible for conducting a number of activities using MFIS, including:

- General project tracking;
- Identifying borrower noncompliance;
- Tracking the status of servicing actions; and
- Reporting to the State and National Offices.

MFIS is the primary tool used by the Agency to track the status of borrowers' compliance with loan agreements and all other program requirements. Account status data from AMAS is transferred to MFIS, where Loan Servicers use it to monitor the status of borrower compliance. For instance, the system holds data on project classification based on compliance status (i.e., Classification codes A, B, C, or D). In addition, the system tracks the status of project budgets (i.e., when they are due, when they are received, and when they are approved).

The goal of using MFIS for tracking is to identify borrower compliance violations, as well as to track the status of servicing letters, work-out agreements, and other Agency servicing actions. For instance, MFIS tracks the 15-day period for responses to servicing letters or monitoring letters and alerts staff to the need for follow-up when that period has expired.

MFIS also is used to track each state's performance in meeting Agency goals, and evaluate those states that may need additional assistance in determining solutions to problem accounts and the effectiveness of actions previously taken. Many states use the information from MFIS in monthly staff meetings and to provide information to borrowers. MFIS allows for timely assembly of this information with minimal effort from the Servicing Offices.

C. Staff Training and Certification Requirements

Beyond gaining familiarity with the functions of the system, there are few formal training or certification requirements for Loan Servicers using MFIS.

3.5 PREPAYMENT TRACKING AND CONCURRENCE (PRE-TRAC)

Pre-Trac is a web-based automated application that allows the Agency to significantly reduce the reporting burden required to process and monitor MFH prepayment activity. This means that the Agency enters prepayment-tracking information once for use by all administrative levels. State and Servicing Offices use Pre-Trac to process all prepayment requests to meet the Agency's requirements. Pre-Trac is designed to lead the user through the statutorily prescribed prepayment process.

The Office of Rental Housing Preservation (ORHP) uses Pre-Trac to issue all concurrence and authorizations of incentives to avert prepayment, and equity loans and prepayments. See Chapter 15 for more detailed information on using Pre-Trac.

3.6 FURTHER INFORMATION

Because there is a detailed users' manual for each of the Agency's automated systems, the discussion provided here is intended to be more of a basic introduction to the systems and their uses and requirements than an exhaustive step-by-step tutorial. Agency staff requiring more detailed information on any of the automated systems should refer to the relevant users' manual.